

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Alanson Area Public Library	County Emmet
Fiscal Year End June 30, 2006	Opinion Date November 3, 2006	Date Audit Report Submitted to State November 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

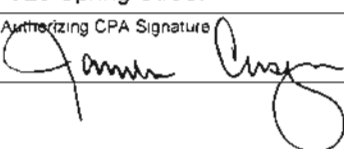
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP		Telephone Number 231-347-4136	
Street Address 923 Spring Street		City Petoskey	State MI
Zip 49770			
Authorizing CPA Signature 	Printed Name James Cusenza	License Number 1101012888	

FINANCIAL REPORT  
ALANSON AREA PUBLIC LIBRARY  
June 30, 2006

ALANSON AREA PUBLIC LIBRARY  
FINANCIAL REPORT  
June 30, 2006

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FINANCIAL SECTION



**Hill • Schroderus & Co., LLP**

Certified Public Accountants & Consultants

November 3, 2006

Independent Auditors' Report

Board of Trustees  
Alanson Area Public Library  
Alanson, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Alanson Area Public Library, Michigan, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Alanson Area Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Alanson Area Public Library as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Alanson Area Public Library has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined to supplement, although not required to be part of, the basic financial statements.

*Hill Schroderus & Co.,*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

ALANSON AREA PUBLIC LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS  
June 30, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash	\$ 204,180	\$ -	\$ 204,180
Fixed assets, net of accumulated depreciation	<u>-</u>	<u>17,715</u>	<u>17,715</u>
Total assets	<u><u>\$ 204,180</u></u>	<u><u>\$ 17,715</u></u>	<u><u>\$ 221,895</u></u>
<u>Liabilities and Fund Balance/Net Assets</u>			
Liabilities:			
Accrued expenses	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 448</u>
Fund balance - unreserved			
Designated	100,000	(100,000)	-
Undesignated	<u>103,732</u>	<u>(103,732)</u>	<u>-</u>
Total fund balance	<u>203,732</u>	<u>(203,732)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 204,180</u></u>		
Net Assets:			
Invested in capital assets		17,715	17,715
Unrestricted		<u>203,732</u>	<u>203,732</u>
Total net assets		<u><u>\$ 221,447</u></u>	<u><u>\$ 221,447</u></u>

ALANSON AREA PUBLIC LIBRARY  
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE/STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2006

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
Revenues:			
State grants	\$ 3,186	\$ -	\$ 3,186
Penal fines	37,107	-	37,107
Charges for services	1,973	-	1,973
Book sales	1,285	-	1,285
Fees and fines	219	-	219
Interest	6,792	-	6,792
Donations	640	-	640
	<u>51,202</u>	<u>-</u>	<u>51,202</u>
Total revenues	<u>51,202</u>	<u>-</u>	<u>51,202</u>
Expenditures:			
Salaries	18,480	-	18,480
Payroll taxes	1,641	-	1,641
Supplies	2,777	-	2,777
Membership dues	4,036	-	4,036
Insurance	538	-	538
Education	-	-	-
Transportation	15	-	15
Internet services	1,484	-	1,484
Telephone	526	-	526
Rent	3,000	-	3,000
Miscellaneous	344	-	344
Equipment non-depreciable	2,569	-	2,569
Books	7,454	(7,454)	-
Depreciation	-	4,975	4,975
	<u>42,864</u>	<u>(2,479)</u>	<u>40,385</u>
Total expenditures	<u>42,864</u>	<u>(2,479)</u>	<u>40,385</u>
Excess (deficiency) of revenues over expenditures	8,338	2,479	10,817
Fund balance, beginning	<u>195,394</u>	<u>15,236</u>	<u>210,630</u>
Fund balance, ending	<u>\$ 203,732</u>	<u>\$ 17,715</u>	<u>\$ 221,447</u>

ALANSON AREA PUBLIC LIBRARY  
STATEMENT OF REVENUES , EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over/(Under) Budget
Revenues:				
State grants	\$ 2,400	\$ 2,400	\$ 3,186	\$ 786
Penal fines	37,000	37,000	37,107	107
Charges for services	3,000	3,000	1,973	(1,027)
Book sales	1,000	1,000	1,285	285
Fees and fines	300	300	219	(81)
Interest	3,500	3,500	6,792	3,292
Donations	250	250	640	390
Total revenues	47,450	47,450	51,202	3,752
Expenditures:				
Salaries	18,000	18,000	18,480	480
Payroll taxes	1,650	1,650	1,641	(9)
Supplies	1,000	1,000	2,777	1,777
Membership dues	3,000	3,000	4,036	1,036
Insurance	737	737	538	(199)
Education	200	200	-	(200)
Transportation	300	300	15	(285)
Internet services	4,600	4,600	1,484	(3,116)
Telephone	650	650	526	(124)
Rent	3,000	3,000	3,000	-
Miscellaneous	1,313	1,313	344	(969)
Equipment non-depreciable	2,000	2,000	2,569	569
Books	7,000	7,000	7,454	454
Total expenditures	43,450	43,450	42,864	(586)
Excess (deficiency) of revenues over expenditures	4,000	4,000	8,338	4,338
Fund balance, beginning	195,394	195,394	195,394	-
Fund balance, ending	\$ 199,394	\$ 199,394	\$ 203,732	\$ 4,338



**ALANSON AREA PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Alanson Area Public Library was organized as a district library on March 24, 1977, under the provisions of Act 164, P.A. 1955, repealed and replaced by Act 24, P.A.1989, as amended. The library operates under an appointed Board of Trustees. The Village of Alanson and Littlefield Township appoint two members each.

**Reporting Entity**

The Library has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statement as component units. Therefore the reporting entity consists of the primary government financial statement only.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments. In accordance with Statement No. 34, the Library is considered to be a Special Purpose Government due to engaging in only one governmental type of activity. To conform with the Statement, the Library has included a Management's Discussion and Analysis section and the Library's basic financial statements are presented as combined government-wide and governmental fund financial statements.

The government-wide columns (Statement of Net Assets and Statement of Activities) are reported using the economic resources measurement focus and the accrual method of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund columns (Modified Accrual Basis) are reported using the resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

**Fund Equity**

Governmental funds report reserved fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Library uses the following procedure in establishing the budgetary data reflected in the financial statements:

Prior to the start of each fiscal year, an operating budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Reported budgeted amounts are as originally adopted or as amended by the Library Board of Trustees. During the year, the Library did not expend in excess of budgeted amounts.

### NOTE 3: DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2006, the carrying amount of the Library's deposits was \$204,180 and the bank balance was \$208,580, of which \$167,023 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances through the year.

### NOTE 4: CAPITAL ASSETS

Capital assets are defined by the Library as assets that are purchased or acquired with an original cost of \$1,000 or more and a useful life in excess of one year. The Library considers its collection of books to be a group asset which is the only asset capitalized by the Library. All books purchased during each year are capitalized as one asset amount with no depreciation being recorded in the first year. Capital assets and related depreciation are reported in the government wide columns of the financial statements. Depreciation is calculated using the straight-line method and the books have an estimated useful life of five years.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4: CAPITAL ASSETS – CONTINUED**

Capital asset activity for the Library was as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets being depreciated:				
Books	\$ 54,877	\$ 7,454	\$ 5,000	\$ 57,331
Accumulated depreciation:				
Books	39,641	4,975	5,000	39,616
Governmental activities net Capital Assets	<u>\$ 15,236</u>	<u>\$ 2,479</u>	<u>\$ -</u>	<u>\$ 17,715</u>

**NOTE 5: OPERATING LEASES**

The Library has a verbal lease agreement with the Littlefield Alanson Management Authority for its building. The Library pays an annual amount of \$3,000 and the lease can be terminated by either party at any time. The lease is expected to increase to \$6,300 in the near future based on additional space being occupied.

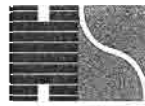
**NOTE 6: DESIGNATED FUND BALANCE**

The Library has designated \$100,000 for future development and improvement of the Library's current building or a new building.

**NOTE 7: RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Library maintains workers compensation insurance for Library employees. The Library relies on the landlord of its building for liability insurance. Contents insurance was not in place during most of the fiscal year. It is being reinstated currently.



# Hill ♦ Schroderus & Co., LLP

Certified Public Accountants & Consultants

November 3, 2006

Library Board of Directors  
Alanson Area Public Library  
Alanson, MI 49706

In planning and performing our audit of the financial statements of the Alanson Area Public Library as of and for the year ended June 30, 2006, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Alanson Area Public Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Reportable Condition:**

Budgeting procedures – P.A. 621, of 1978, as amended, requires that Local Units of Government prepare and adopt a budget prior to the beginning of each fiscal year. The Act also requires that the Local Unit hold a public hearing on its proposed budget. Additionally, it is required that a notice of public hearing be published in a local newspaper of general circulation at least six days in advance of the hearing. The Board should formally acknowledge the hearing date, date of adoption and any amendments to the budget in the board minutes.

**Other comments:**

We also prepared an exit conference outline for other matters that were discussed with management at an exit conference. The other matters were not considered reportable conditions, but were noted during the audit.

This report is intended solely for the information and use of the Alanson Area Public Library Board of Directors and is not intended to be and should not be used by anyone other than the specified party.

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

CERTIFIED PUBLIC ACCOUNTANTS  
Potoskey, Michigan